

REPORT  
OF THE  
CANADIAN WHEAT BOARD  
SEASON 1920

*PRINTED BY ORDER OF PARLIAMENT.*



OTTAWA

THOMAS MULVEY

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1921



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## The Canadian Wheat Board

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For two years prior to the appointment of the Canadian Wheat Board, grain markets in Canada had been under the control of the Federal Government. In the two concluding years of the war, and including the two crop seasons 1917-18 and 1918-19, the handling of Canadian wheat within the bounds of the Dominion, was done through a governmental agency, known as the Board of Grain Supervisors. In addition to that Canadian board, the British Government also had representation in Canada in the form of the Wheat Export Company, which performed the function of sole exporter of wheat from the Dominion to the United Kingdom, France and Italy. The Wheat Export Company was simply one of many grain purchasing agencies which the British Government established in every accessible grain exporting country throughout the world during the war, and its head was the Royal Commission on Wheat Supplies in London, England. Through the Board of Grain Supervisors assembling and distributing wheat within Canadian territory, and through the Wheat Export Company taking charge of exportable surpluses and transporting them overseas, the crops of this country were marketed during the two seasons of 1917 and 1918. And during those two years, the price of wheat in Canada, as in the United States, was fixed on the guarantee of the Federal Government.

The armistice was signed in November, 1918, and the Allied Peace Conference met in Paris early in 1919. As soon as the armies stopped fighting in Europe, a certain relaxation of the machinery of Government control, as it affected the purchase and distribution of food supplies, took place, and the remainder of the crop season of 1918-19 was spent by many people on either side of the Atlantic ocean in wondering whether or not the grain markets would be subject to continued control during the following season of 1919-20. A few months after the armistice, the co-operative and concentrated arrangement which had existed among the Allies and certain neutral nations for the purpose of buying wheat and other supplies, automatically disappeared. The exigencies of the war forced the Allies and principal neutral countries of Europe into one efficient food collecting and distributing organization, the executive body of which was the Royal Commission on Wheat Supplies. But with the commencement of peace negotiations at Paris, each of the allied, as well as each of the neutral, nations became inoculated with the germ of independent action, and the Royal Commission on Wheat Supplies ceased to be anything more than the purveyor of grain supplies for Great Britain. In August, 1919, however, the Supreme Economic Council, which had been organized out of the Peace Conference in Paris, brought into existence the Consultative Food Committee and made the old Royal Commission on Wheat Supplies the centre of this new body, which, amongst other duties, continued to buy wheat for the former Allies. At the outset of the Canadian crop season of 1919-20, therefore, the situation in Europe so far as controlled grain markets were concerned was as follows:—

The Royal Commission on Wheat Supplies had become again the purchaser of wheat for Great Britain, France, and Italy, each nation now, however, responsible for providing its own finance and shipping tonnage.

Continued governmental control of the purchase and distribution of wheat in Belgium, Holland, Denmark, Sweden, and Norway, each of these countries while under Government control competing with the other in the purchase of wheat.



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In 1918, when the Government of the United States established its Grain Corporation, under the direction of Mr. Julius Barnes, it also fixed and guaranteed the price at which the farmers of that country marketed their wheat for that season. In the following season, Government control in the United States assumed the form of a fixed and guaranteed minimum price. Under this arrangement, the United States Grain Corporation was in readiness to receive the farmers' wheat at \$2.25 per bushel, if the grain trade of the United States refused to take it at an equal or higher price. Canada alone was faced with the problem of determining what form of control her Government would adopt in connection with the marketing of her wheat during the season of 1919-20.

### APPOINTMENT OF CANADIAN WHEAT BOARD

The Dominion Government called a conference at Ottawa early in June, 1919, to consider the problem of the marketing of the wheat crop of 1919. A second conference was called towards the end of July. As a result of this latter conference the Government decided to create the Canadian Wheat Board, which was duly brought into existence by an Order in Council passed on July 31, 1919. The plan upon which the Canadian Wheat Board was based resembled very closely that which was in existence in Australia. A central feature of its was the "pooling" of returns from the sale of the nation's wheat. The instructions given the Canadian Wheat Board were very simply stated. The board was instructed to sell the Canadian wheat crop of 1919 at a price which would bring the greatest possible benefit to the Dominion as a whole. The board was given power to control the sale of wheat in the home market as well for export, and in addition it controlled the export trade in flour. For the first six months of the crop season of 1919, the board also controlled the price at which millers could sell flour in Canada. An initial minimum price for wheat, which assumed the form of an advance to the farmer, was another feature of the Wheat Board's plan of operations. Participation certificates were issued to the producers of wheat, and the holder of these certificates was to receive at the end of the season his share of whatever amount the board's pool would yield or in other words, the amount which the Wheat Board had been able to secure for the crop over and above \$2.15 per bushel, basis No. 1 Northern, Fort William. The three features of the plan of control adopted by the Canadian Wheat Board, therefore, were: an initial advance payment to the producer of wheat, issuing participation certificates, and pooling of returns.

The personnel of the board was selected with a view to creating a body which would be truly representative of those interests in the country most immediately affected by the movement of the wheat crop. In addition to the chairman, who previously had been president of the Wheat Export Company, the following were appointed to the board: H. W. Wood, Carstairs, Frederick William Riddell, Regina, and Lieut.-Col. John Z. Frazer, Burford, representing the organized farmers of Canada; W. A. Black, Monteval, C. B. Watts, Toronto, and William A. Matheson, Winnipeg, representing the flour-milling interests of Canada; Norman Macleod Paterson, Fort William, Frank O. Fowler, Winnipeg, William Henry McWilliams, Winnipeg, and Joseph Quintal, Montreal, representing the grain-trading interests; and William L. Best, representing organized labour. The selection of the personnel of the board was completed on August 7. As secretary, the board were fortunate in securing the services of Mr. H. Tooley, who had had previous valuable experience as secretary of the Board of Grain Supervisors.

The chairman was entrusted with the responsibility of selling the crop, and his relations with his fellow-members were necessarily modified somewhat by the secrecy which had to be maintained in connection with the various transactions of the year's business. The vice-chairman, during the frequent absence of the chairman in Eastern



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Canada and the United States, assumed control of affairs at the head office, and in March, 1920, in company with Mr. W. A. Black, represented the board in London, England, in connection with the settlement of a contract which had been made with the Greek Government.

While the Order in Council creating the Canadian Wheat Board laid no obligation upon it to utilize the existing machinery of the grain trade, the board, having regard to the fact that its term of life was limited to one crop period, considered it advisable to maintain the grain-trading facilities intact as far as possible. In doing this the board thought that the trade would be better able to resume the handling of the wheat at the expiration of the controlled period.

## PLAN OF ORGANIZATION

As set forth in the Order in Council, the Canadian Wheat Board was created because the Federal Government realized that the usual channels of trade were unlikely successfully to perform their proper function. The Winnipeg Grain Exchange, which had been open for one week, was closed, and as the new crop was beginning to move, the board was obliged promptly to organize some machinery which would enable producers to dispose of their wheat at primary markets. Realizing the importance of facilitating a free movement of wheat to market by preventing any unreadiness on the part of country or terminal elevators to receive and handle grain in the usual manner, the board, practically from the first day, and indeed before its members became acquainted with each other, set to work to evolve plans whereby this end could be attained with the least possible delay. Within one week from the first meeting of the board, a system was devised; and within a fortnight, rules and regulations governing that system were in effect. Practically every branch of the trade thereby was enabled to proceed with business. That virtually no change was necessary throughout the season in the system thus devised would indicate that, as originally conceived, it was sound.

Within four days from the date of the selection of its personnel, the first meeting of the board was held in Winnipeg, on August 11, 1919.

A public meeting was held in Winnipeg on August 13, 1919, at which representatives from the Canadian Council of Agriculture, Winnipeg, Calgary and Fort William Grain Exchanges, Canadian Millers Committee, Brandon Board of Trade, as well as bakers and representatives from other industries, presented their views.

A public sitting was also held in Toronto on September 8, 1919, at which delegates from the United Farmers of Ontario, Ontario Milk Producers' Association, Ontario Grain Dealers, Dominion Millers Association, and other various interests addressed the board.

In order to ascertain the views of the various interests in the western provinces, a committee consisting of Mr. W. H. McWilliams, Chairman, and Messrs. F. O. Fowler, H. W. Wood, and W. A. Matheson, held a public meeting at Calgary on September 17, 1919, at which members of the following organizations contributed to the discussion: Grain Dealers, Millers, Organized and Unorganized Farmers, Railways, Government Seed Commission, and the Municipal Department of the Government of Alberta.

A further session was held at Regina on September 19, 1919, at which representatives from the Provincial Department of Agriculture of Saskatchewan, the Saskatchewan Grain Growers' Association, Government Seed Commission, Saskatchewan Co-operative Elevator Company, and various individual farmers, presented their views.

Notwithstanding the fact that representatives from British Columbia were heard at Calgary and elsewhere, the board considered it advisable, in view of the different conditions prevailing in British Columbia, to hold a public meeting at Vancouver on



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October 6. On that occasion delegates from the Farmers' Institute of British Columbia, the Provincial Department of Agriculture Grain Dealers, Flour Millers and Flour and Feed Dealers of British Columbia, presented their views.

In addition to the special public hearings held during the first months of the season, general meetings of the board were held at regular bi-monthly intervals throughout the year. The majority of these sittings were held in Winnipeg, the other meeting places being Toronto, Montreal, and Fort William.

### A THORNY PATH

At the outset of its brief career, the Wheat Board was confronted by numerous obstacles and difficulties. Some of these disappeared naturally within a few weeks, while others remained immovable.

In the first place, the board in adopting the plan of operations outlined in the Government's instructions, had to blaze a new trail. There was no precedent to follow. While a wheat "pool" was being tried in Australia, its success had not been established, and it seemed to be regarded with more or less disfavour by some important sections of that country. In North America nothing of the kind had ever been attempted. Some of the ablest men in the North American grain trade considered the plan as too "communistic," and doomed to failure. This impression was not confined to grain men alone, but was quite prevalent among our bankers and in other business circles. Large sections of the rural communities in the various provinces too, protested, by resolution or delegation, against the creation of the board, and as an alternative seemed bent upon having the Government either purchase the crop outright at a fixed price, or establish an organization similar to the United States Grain Corporation.

In the rural districts along the international boundary, particularly in southern Manitoba and southeastern Saskatchewan, the cry during the autumn months of 1919 was for an open market, as prices prevailing just across the border were higher than the initial price paid to the Canadian farmers. Naturally, they preferred to dispose of their wheat at whatever price was obtainable over \$2.15, than to place any faith in the ultimate value of the participation certificate.

### RELATIONS WITH THE UNITED STATES

In the United States, the director of the United States Grain Corporation, Mr. Barnes, in order that the Government's guarantee of \$2.25 per bushel for wheat to the American farmer should be protected, and domestic wheat prices in that country be prevented from breaking, had the power to place an embargo against the importation of any wheat into the United States. Up to December 15, 1919, by which date over three-fourths of the Canadian crop had been marketed by the Canadian farmer, this embargo was in effect in so far as shipments of wheat or flour, other than in wagon-load lots across the boundary, were concerned. Under these conditions, Canadian farmers living close to the international boundary were placed in a much more favourable position early in the season than farmers living distant therefrom ten miles or more. The Canadian Wheat Board, in co-operation with the United States Wheat Director, granted permits to Canadian farmers who lived nearer to an American elevator than a Canadian elevator, to haul their grain across the border line if they so desired. Subsequent to December 15, however, when the general embargo against Canadian wheat was lifted, the board ceased granting these permits to individual farmers. This was done because the board was then in a position to take advantage of any higher prices which might be obtainable on the United States



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markets, and, therefore, desired to place all Canadian farmers on an equal basis, but practically all of the Canadian wheat tributary to the United States boundary had already been hauled across the border or marketed in Canada prior to December 15.

Notwithstanding the lifting of the embargo in the United States on December 15, comparatively little grain passed across the line until the following May. The railways were a large factor in bringing about that condition. A dearth of foreign cars prevailed throughout Western Canada during all of the long winter of 1919-20, and it was next to impossible to persuade our railways to permit any of their equipment to cross the line, the number of their grain cars distributed throughout the neighbouring Republic being far in excess of the number of American cars of a similar character on the Canadian roads. In spite of every effort to increase the movement of wheat across the border between December 15, 1919, and May, 1920, only some 500,000 bushels could be shipped, and that was mainly for seed purposes for which American equipment was obtained.

It must be remembered that the method of handling the wheat crop in the United States was entirely different from that adopted by this country. The United States gave the producer a minimum guaranteed price, which, while it protected the producer against a decline, also precluded the Wheat Director from paying any higher price. This fixed minimum price also enabled millers and grain dealers to withhold their demands from the market whenever they felt so disposed, as the Government's guarantee was always available. Therefore, although the Grain Corporation handled less than 150,000,000 bushels during the year, statistics indicate that much more than that amount was sold by the farmers direct to the trade at from one to a few cents above the minimum price. This applied particularly to winter wheat, both hard and soft. The American spring wheat on the whole, however, being a poorer quality than usual, fairly high premiums were obtainable for the better grades. This condition was noticeable from the commencement of the American crop year, and became more pronounced as the season developed. The volume of this high-grade spring wheat required by the United States markets was not large, and the wide "spreads" prevailing between cars of good spring wheat and cars of slightly lower quality were very marked. The Canadian Wheat Board in order to keep itself fully and correctly informed as to the values prevailing in Minneapolis and other markets, always kept a car or two en route to Minneapolis, which were disposed of on arrival. In this way, while realizing that a free flow would depress prices, the board nevertheless kept posted on the best prices obtainable for odd cars, thereby enabling it to appreciate when good bids were received from countries other than the United States. For instance, on May 17, 1920, the board was able to sell abroad a few million bushels, basis One Northern, at the equivalent of \$3.50 in store Fort William, while the best price obtainable on the Minneapolis market on the same day was about \$3.28 for odd cars. Indeed according to advices received from the board's New York correspondent the highest price received for American wheat of the 1919-20 crop was about \$3.40 f.o.b. steamer *New York*, as against \$3.60 for Canadian wheat secured by the Canadian Wheat Board f.o.b. steamer *Montreal*, both United States funds. And this was done despite the fact that the Montreal ocean freight rate to Europe was invariably higher than that prevailing from New York.

## MAINTAINING BALANCE BETWEEN EAST AND WEST

One of the outstanding difficulties which confronted the board was a tendency towards a conflict of varying interests within the Dominion itself. The Act creating the Canadian Wheat Board prescribed that the price of wheat to mills was to be governed as nearly as possible by the price obtainable at the same time in the world's markets for wheat of equal value, regard being had to the cost of transport, handling



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and storage. The Act also gave power to the board to fix the price at which flour could be sold for domestic purposes, as well as the prices of other wheat products. From the commencement of its operations, therefore, the board endeavoured to maintain an equilibrium of prices between wheat, flour and mill offal. This inevitably resulted in a conflict of interests between the live stock and dairymen of Eastern Canada and the grain producers of Western Canada. Mill offal, such as bran and shorts, had to be regulated as well as flour, and maximum prices of \$45 and \$52 per ton for bran and shorts respectively, basis f.o.b. cars Montreal, were fixed by the board on November 15, 1919.

### SEED GRAIN

Another factor which had to be taken into consideration at the very outset of the board's operations was the pressing need for seed grain in certain localities which had been seriously affected by drought. The board met this need by co-operating with Mr. A. E. Wilson, Seed Commissioner, in establishing reserves of the best seed grain at Saskatoon, Moosejaw, and Calgary. That was done by diverting grain to those points from the more fortunate districts, instead of shipping direct to the upper lake front ports. About one million bushels was turned over to the Seed Commissioner in this way. In addition, the board in the following spring made supplies of seed grain available to farmers at \$2.45 per bushel, basis One Northern in store Fort William, notwithstanding the fact that the fixed price for domestic consumption at that time was \$2.80 per bushel basis One Northern in store Fort William. From the areas which had suffered from drought wheat shipments to lake terminals by elevator operators were strictly regulated with the object of providing convenient supplies until seeding was completed.

### PROSPECTS FOR SELLING THE CROP

Owing to the prospect in the summer of 1919 of very large crops in the United States, the views of European Governments as to values were very "bearish", and as indicative of their minds, we quote extracts from cables received from Mr. Lloyd Harris, Chairman of the Canadian Mission in London, on August 6 and 7, 1919:—

*August 6.*—"Situation here is that Government is uncertain as to United States action reference their wheat arrangements (stop).....reduced price of wheat in United States on account of internal situation will result in lower price than United States fixed price for export (stop).....It is very important from Canadian standpoint that we meet them in every way possible as if shipping is withdrawn from Canada for movement of our crop there would be great difficulty in handling same (stop).....We would like to suggest to..... that they pay last year's fixed price for wheat and in the event of there being a reduction later in export price we will refund them difference....."

*August 7.*—"In order to keep purchasers interested.....definite contract if possible for their supply at last year's fixed price with an understanding to refund any difference between such price and price which may eventually be definitely fixed by American Government for export (stop).....are in market for further quantities but have considerably lower quotations for Australian wheat (stop).....here and they would contract I think on basis of paying last year's Canadian fixed price if we agree to refund any difference should American export price be lowered later....."

On account of the limited time for investigation at the board's disposal, the foregoing statement was the only reliable information about European values and



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ideas which the board could then obtain. The board, however, decided to fix the initial payment to the Canadian farmer at \$2.15, basis One Northern in store Fort William, and the first export sale was made on September 1, 1919, at \$2.44 f.o.b. steamer, Montreal, basis One Northern. The tone of the cables from Mr. Harris continued to be of the same depressing nature, and the demand for our wheat at reasonable levels was very indifferent during September and October. The reason for this condition was largely that Australia and the United States were underquoting Canada, and it will be remembered that, particularly in the United States, there was a very large surplus to dispose of. True, this wheat was not of such high milling quality as ours, but, nevertheless, the European countries were not necessarily demanding high quality in bread flour. At this point, too, the embargo against imports into the United States existed, thus preventing the board from taking advantage of prices prevailing for the higher quality wheat in the northwestern markets of that country. In any event, even if the United States markets had been open, it is reasonable to assume that the premiums then quoted across the line would have vanished as soon as any quantity of wheat had been shipped there. Fortunately, however, the first sale made by the board represented the lowest price at which any of our wheat was sold during the year.

## THE COURSE OF WORLD DEMANDS

Approximately fifty per cent of the exportable surplus of the Canadian wheat crop was disposed of before December 31, 1919. Prices on the Minneapolis market advanced rapidly after the close of navigation in 1919, but as stated previously. Canadian railroads would not load any of their equipment for United States points owing to the difficulty of having their cars returned. Consequently, all that could be sent to the United States during January, February, and March, consisted largely of wheat shipped from western points in foreign cars, and aggregated about one-half million bushels.

Reports of the United States Bureau of Statistics indicate that prices prevailing during the latter part of January and early February in the United States suffered a considerable decline, resulting in some wheat being turned in to the Wheat Director at the minimum fixed price. Owing to this depression, and the very poor demand for flour in Europe, the board found itself at the beginning of 1920 with approximately one million barrels of flour on its hands, unsold. The board was not satisfied that justification for such a decline existed, and consequently withheld Canadian stocks of flour and wheat from the markets. Prices began to improve during the earlier part of March, and the balance of our wheat and flour was then disposed of at more advantageous prices.

The spring of 1920 opened rather late in Canada, seeding was delayed, and the wheat acreage was curtailed. Under normal circumstances, it takes about ninety days from the time wheat is sown until it is ready to harvest. In that season, however, the bulk of the wheat ripened in from eighty to eighty-five days, and the harvest season being ideal, new wheat was on the market in large volume during the early part of August. Consequently, the normal grain reserves retained by the millers all through the Dominion were not required. Therefore, during the latter part of August, 1920, millers returned to the board over five million bushels of wheat, leaving the board at the end of the season with an unsold surplus of about five million bushels. The prices, by that time, had receded considerably from the high levels prevailing earlier in the summer. Had this country experienced wet or backward weather during harvest, all of that five million bushels of surplus wheat would have been required for domestic consumption. The board fully realized that it was better to have a good margin of safety in the matter of providing for domestic requirements than to have the crop oversold.



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## NEWFOUNDLAND AND BRITISH WEST INDIES

Canada being the natural market for the importers of flour in Newfoundland, and the board being only of a temporary character, and endeavouring to retain for Canadian millers their export connections, consistent with carrying out their duties as specified by the Act, arrangements were made with the Food Controller of Newfoundland on January 6, 1920, whereby, in effect, Newfoundland agreed to adopt the same regulations regarding flour prices as prevailed in Canada. In consideration of Newfoundland receiving flour at Canadian domestic prices, it was agreed that all flour purchases by that country should be made in Canada until the end of the period of control in the Dominion.

The British West Indies, having reciprocal trade agreements with the Dominion, the board, early in 1920, made arrangements whereby, on proof being given that consignments of flour to those Islands were destined for consumption there, shipments could be made on the same basis as the domestic market.

The board, further, in its desire to enable Canadian millers to take advantage of markets in the Orient and Western Hemisphere, excepting the United States, issued a circular to the Canadian Millers' Committee, and the Dominion Millers' Association, for distribution among their members, as follows:—

“WINNIPEG, MAN., March 1, 1920.

“Millers can effect sales of flour to Newfoundland on same basis, and under same conditions as prevail for sales within the Dominion, excepting that before shipment is made an import permit is necessary from the Food Control Board of Newfoundland, as well as export permit from this board. Regular patent flours can be manufactured and exported to Newfoundland. No permits will be granted for shipment beyond sixty days.

“The British West Indian market is also open to the Canadian milling trade on the same basis as the domestic market, excepting that an export permit must be obtained, and in the event of any change in the price of wheat only export permit, or application therefor prior to date of wheat price revision, will be considered in adjustments. No permits will be granted for shipment beyond thirty days.

“To other markets in the Western Hemisphere, excepting the United States, millers can from time to time ascertain prices from the board at which they may sell flour. Such quotations will fluctuate, and reflect as nearly as possible the relative value of wheat in the world's markets at time same is given. This applies also to the Orient and Africa, excepting Egypt, but not to Europe.”

## DECONTROL OF FLOUR

At a meeting of the board held in Montreal on Friday, March 19, 1920, the following motion was carried unanimously:—

“That the chairman be requested to advise the Government of the board's recommendation that its control of the prices of flour, bran and shorts for domestic consumption be discontinued; and further, if for any reason such decontrol cannot immediately be put into operation, the chairman be authorized to take such action as he considers advisable in connection with the prices of flour, bran and shorts.”

This resolution was passed by the board after long and careful consideration of a request from the Canadian Millers' Committee for an increase in the maximum price of flour, and also of statements prepared by the board's chief auditor and milling expert.



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Notwithstanding strong representations to the contrary made to the Government by the Canadian Millers' Committee, the board on April 8, made the following public announcements:—

"Considering the time opportune, the Canadian Wheat Board, as a preliminary step towards general decontrol, propose as from this date to withdraw the maximum price on flour sold for domestic purposes, whilst retaining control of the price of wheat.

"The board will temporarily continue to control the maximum wholesale price of mill offal.

"Expert cost accountants have audited the books of several representative milling companies, and the board being thus in possession of certified milling costs, and having the price of wheat under control, can and will see that no abuse occurs. There is every reason to believe, however, that competition among millers will amply protect the consumers."

## PAYMENT OF DIVIDENDS ON PARTICIPATION CERTIFICATES

As considerable trading in participation certificates had evidently been taking place during the entire season, and the board, realizing that farmers were unnecessarily parting with their participation certificates at less than they were likely to be worth, made an announcement on May 5, 1920, to the effect that participation certificates would be worth not less than forty cents. It was realized that whatever figure was given out might be regarded as the outside figure, and consequently it was made as liberal as possible. That the board's judgment in this matter was correct is evidenced by the fact that even after the announcement on May 5, advices were received of participation certificates changing hands on the basis of thirty-eight cents per bushel. Co-operation of the press and the grain trade was sought to endeavour to dissuade the farmers from parting with their participation certificates to speculators. The grain trade circularized their agents accordingly, and as a whole remarkably few instances were found of men, associated directly or indirectly with the business, who acted other than to discourage the farmers from selling their participation certificates.

Early in the summer, on its becoming evident that a considerable amount of surplus money would be at the board's credit in the banks, and on which it could only secure 3 per cent interest, it was decided that an interim dividend should be made against the participation certificates. This necessitated an outlay, in the matter of revenue stamps on cheques, together with extra labour and stationery involved, of approximately \$100,000, but as it was found that producers were obliged to pay interest to banks at from 7 per cent to 8 per cent, wherever they would secure advances, it was estimated that it was very much to the producers' advantage to receive an interim payment, rather than be borrowing funds from banks or loan companies. The producers took full advantage of this payment which was announced as commencing on July 15. Before the end of October some thirty-eight million dollars were paid on this interim dividend against the participation certificates.

The final announcement as to the value of the participation certificates was made on October 30, 1920. The price realized for the whole crop, basis One Northern in store Fort William, was \$2.63.

The average freight rate from shipping points in Manitoba, Saskatchewan, and Alberta during the season had been under thirteen cents, so that the average price realized by the farmer at the shipping point has been \$2.50. Calculations made from the reports of the United States Bureau of Statistics indicate the average price paid to farmers at shipping points in the United States was approximately 25 cents per bushel less than that realized by the farmers in Canada.



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While this was so, the price of bread in this country, according to records of the Board of Commerce, was 1½ cents per pound less than that paid by the consumer in the United States.

### SPREADS

One of the salient features of the operations of the Canadian Wheat Board was the small differences between the prices paid to the producer for the various grades of wheat at country points. These "spreads" were never before so narrow in the history of the trade. From the very commencement of the season to the close, notwithstanding the several advances in price made by the board, the "spreads" between the prices paid for the different grades of wheat remained constant.

On the other hand, when sales of this same wheat were made, the board was able to preserve corresponding "spreads" between the different grades in the prices that were realized. For example, on an actual sale of wheat that was negotiated on the basis of \$4.02 per bushel for One Northern at seaboard in Canadian funds, the board was able to get \$3.99 for Two Northern, \$3.95 for Three Northern, \$3.89 for Number Four, \$3.78 for Number Five, \$3.68 for Number Six, \$3.91 for Rejected One Northern, and \$3.96 for Tough One Northern.

### BRANCH OFFICERS OF THE BOARD

As soon as preliminary steps were agreed upon, and the machinery of the board was set in operation in the three Prairie Provinces and British Columbia, the chairman proceeded to Eastern Canada to survey the situation there and establish necessary offices. On September 11, 1919, a general meeting of the board was held in Toronto, and plans were laid for the handling of the crops of Ontario and Quebec. Offices were immediately established at Montreal and Toronto, the function of the Montreal office being very largely to look after the forwarding and transportation of the grain from Georgian Bay ports to the seaboard, as well as to pay shippers for wheat which might be forwarded under instructions from the board, from terminal elevators at Fort William to the Atlantic seaboard. For these services Mr. A. E. Clare, of Montreal, who had had considerable previous experience in such matters, was secured.

The function of the Toronto office was very similar to that of the Winnipeg office. The Ontario grain dealers reported there, instead of to Winnipeg, and licensees received their participation certificates from that point in the same manner as the licensees of the West received their participation certificates from Winnipeg. The services of Mr. Lincoln Goldie, a gentleman well known in the Ontario wheat and flour trade, were secured for Toronto. In addition, in order that many difficulties incidental and peculiar to the Ontario trade be dealt with and solved promptly, a committee, consisting of Colonel J. Z. Frazer as convenor, with Messrs. W. A. Black, C. B. Watts and J. Quintal, was appointed to advise and make recommendations to the board. Mr. Goldie's duties extended over Ontario, Quebec, and the eastern provinces, and required much tact in dealing with grain dealers, millers, and farmers.

An office was established at Fort William, under Mr. C. S. Langille, to attend to the loading and grading of shipments, particularly shipments of rejected and low-grade wheat.

Later in the season, in order to keep itself fully posted, the board opened an office in New York, under the general supervision of Mr. J. J. O'Donohoe. It was considered necessary to have this connection in New York so as to keep informed as far as possible about ocean freight rates and values of wheat which might be entering into competition with our wheat on the European and other markets.

The services of Mr. John Fleming, of Winnipeg, were secured to represent the board in British Columbia, and an office was established in Vancouver from October, 1919, to March, 1920.



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The representative of the Canadian Trade Mission in London, Mr. Lloyd Harris, was used by the board from the commencement of its operations until the latter part of October, when he returned to Canada. The board, deeming it advisable that it should be kept informed as far as possible as to the situation in Europe, was then fortunate in securing the services of Mr. W. Sanford Evans. Mr. Evans sailed for London on November 25, 1919, and although his chief function was to advise the board regarding the flour business and wherever possible to negotiate contracts for flour, the information obtained by him in regard to food conditions in the various European countries was invaluable as a guidance to the board.

One of the most important duties incidental to the marketing of the wheat crop, and making returns therefor to the producer, was the registration of participation certificates, and keeping account of the wheat marketed through the board's licensees. Such a position required experience and sound organizing ability. Mr. F. W. Young, of Winnipeg, agreed to combine these duties with that of his position as general manager of the Lake Shippers' Clearance Association. The general satisfaction and smoothness with which this work proceeded gave excellent testimony to the worth of this branch.

A most important branch of the work was the accounting and auditing of the business transacted by the board directly and indirectly through its licensees. Mr. B. F. Griggs, C.A., was placed in charge of this branch as soon as possible after the commencement of the board's operations. A staff of efficient and loyal auditors was gradually developed under his supervision, and notwithstanding that the aggregate business involved a double turnover of between eight and nine hundred million dollars, involving the auditing of the accounts of about 1,100 licensees, I am able at this date to report the completion of the auditing of practically all licensees' accounts. Indeed, the independent Government auditor has signed the financial statement as at December 31, 1920, certifying its accuracy.

Mr. George H. Kelly, milling expert, was in charge of the Flour Department. His extensive knowledge throughout the Dominion of mills and milling was of invaluable assistance to the board, and his well-known impartiality inspired and maintained the confidence of the entire milling trade. Approximately seven million bags of flour were handled through this department, and although our stocks, on order, in transit or in store, exceeded one million barrels at times, not one single bag was lost through deterioration or through not being accounted for.

The success of any organization is always interwoven with the loyalty and ability of its employees and the case of the Canadian Wheat Board was no exception to this rule.

### WHOLEHEARTED CO-OPERATION

In conclusion, as chairman of the board, I desire to record an expression of personal appreciation of the wholehearted co-operation and unselfish devotion manifested by my colleagues in the work of the Canadian Wheat Board during the entire period of its existence. Composed of the representatives of varying interests, the board in its work during the past eighteen months in a very practical way has afforded the country an example of the possibilities of co-operation. On many occasions during the period of the board's existence it was necessary to seek the advice and judgment of the members bearing upon transactions of vital national importance. Always, consideration of the national welfare was uppermost. Without this spirit and valuable practical contributions of support to the chairman, any achievement by the Canadian Wheat Board would have been impossible.

The various departments of the grain trade of the Dominion, as well as, with one outstanding exception, the flour-milling interests of Canada, have also co-ope-



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rated with the board wholeheartedly in lending their marketing facilities to the needs of the country during the season's operations. For their strict adherence to the many regulations of the board, involving as was inevitable many inconveniences in the conduct of the "trade," this report would be incomplete without expressing sincere appreciation.

Attached hereto is the balance sheet, covering the period from the inception of the board to the 31st December, 1920. From the very nature of the business, this report is necessarily not final. This balance sheet shows ten and one-half million dollars on deposit in various banks and elsewhere, against which there was outstanding, as at the same date, participation certificates aggregating slightly over ten million dollars. Up to this date, about \$9,000,000 has been paid, leaving a balance of \$1,000,000. Of this balance, claims are already filed with the board for between five and six hundred thousand dollars, covering lost, stolen, or destroyed participation certificates, leaving approximately, perhaps, participation certificates aggregating over four hundred thousand dollars unaccounted for.

Including the disbursing of the interim and final payments, which by themselves will have cost \$200,000, the cost of administering the board, including general expenses, auditing, registration of participation certificates, payment of participation certificates, collection of assessments, statistical, and all other branches, will have been less than one-half cent per bushel on the volume handled.

Respectfully submitted,

JAMES STEWART,

*Chairman.*

WINNIPEG, MAN.,

January 28, 1921.



SESSIONAL PAPER No. 54

THE CANADIAN WHEAT BOARD  
FINANCIAL STATEMENTS AND CERTIFICATE

DECEMBER 31, 1920.

## CERTIFICATE

To the chairman and members,  
The Canadian Wheat Board,  
Winnipeg, Man.

On pages , I beg to submit balance sheet, trading and profit and loss accounts.

In my opinion, the said balance sheet, page , is properly drawn up so as to set forth correctly the financial position of the Canadian Wheat Board as at the 31st of December, 1920, as shown by the books and according to the best of my knowledge and information, and the explanation given me.

The audit of the board's books and accounts having been completed to December 31, 1920, I have received certificates of the correctness thereof from the following:—

As to the board's head office—J. C. Millar, chartered accountant.

As to the board's Montreal office—Sharp, Milne and Co., chartered accountants.

As to the board's Toronto office—Lawson, Welch and Campbell, chartered accountants.

It must be understood that the financial position as shown by the said statements is subject to change as the winding up of the board's work proceeds; chiefly by reason of the payment of participation certificates, the settlement of claims, and the costs of so doing. With the exception of the first-mentioned, such amendments will not, in my opinion, be other than of a minor nature, having regard to the magnitude of the transactions exhibited in the following statements.

Approved:

B. F. CHIGGS,  
*Chartered Accountant.*  
*Comptroller.*

GEORGE A. GOUDIE & CO.,

Chartered Accountants,

*Auditors on behalf of the Dominion Government.*

WINNIPEG, MAN.

January 25, 1921.

## ASSETS

Cash on hand.. . . .	\$	3,438 38
Balances at bankers—		
Current accounts.. . . .	\$	788,853 17
Deposits at interest.. . . .		8,224,309 82
		<u>9,013,162 99</u>
Province of Manitoba, 6 per cent Treasury bills		1,555,000 00
		<u>\$10,571,601 37</u>
Sundry debtors.. . . .		263,238 51
Advances to officials.. . . .		1,001 17
Furniture and fixtures.. . . .		30,346 18
Grain Exchange seat—Fort William .. . . .		200 00
		<u>\$10,866,387 23</u>

## LIABILITIES

Private elevator deposits.. . . .	\$	10,000 00
Sundry creditors.. . . .		11,529 81
Items in suspense.. . . .		246,692 20
Participation certificate distribution payable.. . . .		10,158,470 14
Balance at credit. Profit and Loss Account .. . . .		439,695 08
		<u>\$10,866,387 23</u>



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## PROFIT AND LOSS ACCOUNT

From Inception of Board to December 31, 1920.

By profit on wheat transactions, per page 4 . . . . .	\$59,665,852 58
" profit on flour transactions, per page 5 . . . . .	6,277,048 80
" license fees . . . . .	1,092 50
" interest received on investments and bank deposits . . . . .	349,214 16
	<hr/>
	\$66,293,208 04
To bank exchange . . . . .	\$102,592 67
To Administration costs—	
General Executive . . . . .	\$218,977 78
Comptroller . . . . .	119,316 30
Registration . . . . .	67,395 34
Payment of certificates . . . . .	174,433 88
Assessments . . . . .	37,708 70
Carrying charges and statistics . . . . .	20,083 07
	<hr/>
	637,915 07
	<hr/>
	740,507 74
Balance, being net profit on operations to December 31, 1920 . .	65,552,700 30
From which there has been appropriated under Regulations Nos.	
119 and 127, 48 cents per bushel on 135,652,094 bushels,	
12 lb . . . . .	65,113,005 22
	<hr/>
December 31, 1920. Balance at credit Profit and Loss Account	\$439,695 08

## WHEAT DEPARTMENT

## TRADING AND PROFIT AND LOSS ACCOUNT

From Inception of Board to December 31, 1920.

	Bush.	Lb	
By sales . . . . .	71,706,856	22	\$203,326,794 31
" Assessments collected . . . . .			24,227,106 38
			<hr/>
			\$227,553,900 69
To purchases, including			
freight, storage, insur-			
ance, etc . . . . .	71,706,856	22	\$164,014,834 97
" Carrying charges per regulations . . . . .			3,868,442 64
" Diversion charges . . . . .			96,348 72
			<hr/>
			167,979,626 33
Trading profit . . . . .			\$ 59,574,274 36
By interest on loans to Flour Department, less bank interest			
paid . . . . .			\$ 218,623 90
			<hr/>
			\$ 59,792,898 26
To Administration costs, including salaries, rentals, telegraph			
and telephones, travelling expense, postage, printing, sta-			
tionery, etc . . . . .			127,045 68
			<hr/>
Net profit on wheat transactions . . . . .			\$ 59,665,852 58

## FLOUR DEPARTMENT

## TRADING AND PROFIT AND LOSS ACCOUNT

From Inception of Board to December 31, 1920

By Sales (sacks, all sizes, 5,047,016) . . . . .	\$47,419,991 43
" Export license fees . . . . .	105,863 52
	<hr/>
	\$47,525,854 95
To purchases, including freight, storage, insurance, etc. (sacks,	
all sizes, 5,047,016) . . . . .	40,745,393 80
	<hr/>
Trading profit . . . . .	\$6,780,461 15
To interest on loans from Bank and Wheat	
Department . . . . .	\$411,819 05
" Administration costs, including salaries,	
rentals, telegraphs and telephones, travelling	
expense, postage, printing, stationery, etc . . . . .	91,593 30
	<hr/>
	503,412 35
	<hr/>
Net profit on flour transactions . . . . .	\$6,277,048 80



